

AMENDED IN ASSEMBLY APRIL 8, 2014

AMENDED IN ASSEMBLY APRIL 2, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1456

Introduced by Assembly Member Jones-Sawyer
(Coauthors: Assembly Members Ammiano, Bocanegra, Levine,
Skinner, Ting, and Weber)
(Coauthor: Senator Cannella)

January 9, 2014

An act relating to higher education.

LEGISLATIVE COUNSEL'S DIGEST

AB 1456, as amended, Jones-Sawyer. Higher education: tuition and fees: study.

Existing law provides for a public postsecondary education system in this state. This system consists of the University of California, the California State University, and the California Community Colleges. Existing law authorizes these institutions to require that mandatory systemwide fees and tuition, among other fees, be paid by enrolled students.

Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education.

This bill would require the Student Aid Commission and the Legislative Analyst to conduct a study of the effects of enacting, in future legislation, a Pay it Forward, Pay it Back Pilot Program and would designate the ~~Student Aid Commission~~ *Legislative Analyst* as

the lead-body agency in charge of preparing the study. The study would evaluate a pilot program designed to provide an additional option for students to finance the costs of their education, by paying the costs of upfront tuition, fees, and room and board, for enrollment at institutions of higher education, for admitted resident students who sign a binding contract to, upon graduation, pay 2 to 4%, inclusive, of their annual adjusted gross incomes to the state or the institution for a specified number of years, as provided. The bill would further specify that the pilot program could vary by institution.

This bill would require the study to, among other things, identify at least one campus of each segment of public higher education and one campus of a nonprofit private postsecondary educational institution to participate in the pilot program and establish an immediate source of funding for the first 15 to 20 years, inclusive, of the pilot program, as provided. The bill would require that the study be presented for consideration by the Legislature, and would require the Student Aid Commission to submit a report on the study to the Assembly Committee on Higher Education and the Senate Committee on Education on or before September 30, 2015. The bill would also make legislative findings and declarations related to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. (a) The Legislature finds and declares all of the
- 2 following:
- 3 (1) The Legislature recognizes that postsecondary education
- 4 has expanded opportunities for Californians to qualify for
- 5 high-quality jobs and entry into the middle class, providing clear
- 6 benefits to this state's economy.
- 7 (2) In response to decreased state support, costs at the University
- 8 of California (UC) and the California State University (CSU) have
- 9 grown significantly over the past decade. In 2000, the total cost
- 10 of a year of education at UC was \$15,000. By 2013, this figure
- 11 had more than doubled to \$32,400. Costs at CSU are lower, but
- 12 still increased by nearly 70 percent in this period. These increases
- 13 far outpace inflation.
- 14 (3) Tuition at California's public institutions of higher education
- 15 has been rising far more rapidly than family incomes. In 2000, the

1 cost of attendance for a UC student living on campus was 25
2 percent of California's median family income. In 2009, this cost
3 had grown to 39 percent of median family income. Costs at CSU
4 also grew relative to incomes, increasing from 19 percent of median
5 family income in 2000 to 29 percent of median family income in
6 2009.

7 (4) The increasing unaffordability of a college education has
8 forced students to borrow more money to pay for higher education,
9 causing 51 percent of students graduating from four-year
10 institutions of higher education in California to borrow an average
11 of \$18,879.

12 (5) In the 1970s, the General Fund provided \$12 for every dollar
13 that students paid in fees; by 2009, this amount had fallen to \$1.40
14 for every dollar in student fees.

15 (6) High levels of student debt are damaging not only to an
16 individual student's ability to succeed financially but also will
17 have grave consequences for the future economy of this state.

18 (7) As of spring 2011, only 83 percent of UC students and 51.4
19 percent of CSU students entering as freshmen had graduated within
20 six years. For transfer students, only 79.6 percent of UC students
21 and 64.6 percent of CSU students had graduated within four years.

22 (8) By 2025, California is projected to have a shortage of 2.3
23 million college graduates in the state's workforce if the number
24 of young and older adults who go to college and complete a higher
25 education is not significantly increased.

26 (9) The Legislature finds that it must halt the decrease in the
27 state's support for public education and, over time, must increase
28 its contribution to the funding of higher education.

29 (10) The Legislature finds that it must immediately seek another
30 approach to financing a student's share of the cost of higher
31 education in the state that will not result in students graduating
32 from California colleges and universities burdened with debt.

33 (11) There is growing interest in a new financing strategy.

34 (12) The Legislature recognizes that it is in this state's interest
35 to study and recommend a potential pilot program.

36 (b) It is the intent of the Legislature that revenue received from
37 a Pay it Forward, Pay it Back pilot program would be managed
38 by the state.

39 (c) It is further the intent of the Legislature that a Pay it Forward,
40 Pay it Back pilot program would not replace existing forms of

1 financial aid, including grants, scholarships, and loans, but would
2 instead serve as an additional option for students to finance their
3 education.

4 SEC. 2. (a) The Student Aid Commission and the Legislative
5 Analyst shall conduct a study of the effects of enacting, in future
6 legislation, a Pay it Forward, Pay it Back Pilot Program. The
7 ~~Student Aid Commission~~ *Legislative Analyst* is designated as the
8 lead ~~body~~ *agency* in charge of preparing the study. The study would
9 evaluate a pilot program designed to provide an additional option
10 for students to finance the costs of their education, including the
11 costs of upfront tuition, fees, and room and board, for enrollment
12 at institutions of higher education.

13 (b) The pilot program would do both of the following:

14 (1) Allow a student who is a state resident, as determined by
15 the respective institution, and who otherwise qualifies for
16 admission to that institution, to enroll at the institution without
17 paying upfront tuition, fees, or room and board.

18 (2) Provide that, in lieu of paying upfront tuition, fees, or room
19 and board, a student may sign a binding contract to, upon
20 graduation, pay 2 to 4 percent, inclusive, of his or her annual
21 adjusted gross income to the state or the institution for a specified
22 number of years.

23 (c) The pilot program could vary by institution, in regard to
24 each of the following:

25 (1) The total cost of attendance at the institution required to be
26 reimbursed.

27 (2) The portion of the total cost of attendance to be paid by the
28 state.

29 (3) The number of years that a student shall be required to make
30 payments, as specified in the contract.

31 (4) The percentage of annual adjusted gross income required to
32 be paid by a student, as specified in the contract.

33 (d) The study of the pilot program shall do all of the following:

34 (1) Identify at least one campus of the University of California,
35 one campus of the California State University, one campus of the
36 California Community Colleges, and one campus of a nonprofit
37 private postsecondary educational institution to participate in the
38 pilot program. The campuses identified pursuant to this paragraph
39 shall be regionally diverse.

1 (2) Based on current research, and projections of state subsidies,
2 specify the number of years and percentage of annual adjusted
3 gross income for a contract at each participating institution that
4 would reimburse the cost of a student's attendance.

5 (3) (A) Establish an immediate source of funding for the first
6 15 to 20 years, inclusive, of the pilot program, which would include
7 the establishment of a revolving fund for the deposit of payments
8 made under the pilot program, and consider the possibility of using
9 social impact bonds as an immediate funding source.

10 (B) For the purposes of this paragraph, the term "social impact
11 bond" means an agreement between a nongovernmental entity and
12 an institution of higher education under which a student's cost of
13 attendance is paid for by the nongovernmental entity in exchange
14 for a security interest in the payments made by the student pursuant
15 to paragraph (2) of subdivision (b).

16 (e) (1) The study of the pilot program shall be presented for
17 consideration by the Legislature.

18 (2) The Student Aid Commission shall submit a report on the
19 study of the pilot program to the Assembly Committee on Higher
20 Education and the Senate Committee on Education on or before
21 September 30, 2015.

22 SEC. 3. Section 2 of this act shall become inoperative on June
23 30, 2016, and, as of January 1, 2017, is repealed, unless a later
24 enacted statute, that becomes operative on or before January 1,
25 2017, deletes or extends the dates on which it becomes inoperative
26 and is repealed.